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**ANNUAL AUDITED REPORT**  
**FORM X-17A-5**  
**PART III**

SEC FILE NUMBER

8-48969

## FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/17 AND ENDING 12/31/17  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: EFG Capital International Corp.

OFFICIAL USE ONLY

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

FIRM I.D. NO.

701 Brickell Avenue, 9th Floor

(No. and Street)

Miami

Florida

33131

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Marco Tuesta (305) 482-8013

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

PricewaterhouseCoopers LLP

(Name - if individual, state last, first, middle name)

333 SE 2nd Avenue, Suite 3000 Miami

Florida

33131

(Address)

(City)

(State)

(Zip Code)

**CHECK ONE:**

Certified Public Accountant



Public Accountant



Accountant not resident in United States or any of its possessions.

**FOR OFFICIAL USE ONLY**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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EFG

## OATH OR AFFIRMATION

I, Marco Tuesta, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of EFG Capital International Corp., as of March 1, 2018, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

\_\_\_\_\_


\_\_\_\_\_

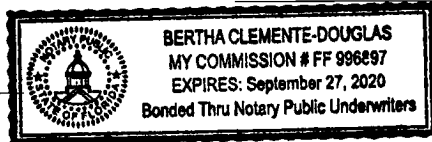
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Signature

Chief Financial Officer

Title

  
Notary Public



This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☐ (c) Statement of Income (Loss).
- ☐ (d) Statement of Changes in Financial Condition.
- ☐ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☐ (g) Computation of Net Capital.
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

# **EFG Capital International Corp. and Subsidiary**

(A wholly-owned subsidiary of EFG Capital Holdings Corp.)

**Consolidated Statement of Financial Condition**

**Pursuant to Rule 17a-5**

**of the Securities and Exchange Commission**

**December 31, 2017**

# **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

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**December 31, 2017**

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## **Report of Independent Registered Public Accounting Firm**

To the Board of Directors of EFG Capital International Corp.

### ***Opinion on the Financial Statement – Statement of Financial Condition***

We have audited the accompanying consolidated statement of financial condition of EFG Capital International Corp. and its subsidiary as of December 31, 2017, including the related notes (collectively referred to as the “consolidated financial statement”). In our opinion, the consolidated financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2017, in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

The consolidated financial statement is the responsibility of the Company’s management. Our responsibility is to express an opinion on the Company’s consolidated financial statement based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (“PCAOB”) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit of this consolidated financial statement in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statement is free of material misstatement, whether due to error or fraud.

Our audit included performing procedures to assess the risks of material misstatement of the consolidated financial statement, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statement. Our audit also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statement. We believe that our audit provides a reasonable basis for our opinion.

*PricewaterhouseCoopers LLP*

Certified Public Accountants

March 1, 2018

We have served as the Company’s auditor since at least 2001.

We have not determined the specific year we began serving as auditor of the Company.

**EFG Capital International Corp. and Subsidiary**  
(a wholly-owned subsidiary of EFG Capital Holdings Corp.)  
**Consolidated Statement of Financial Condition**  
**December 31, 2017**

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**Assets**

Cash and cash equivalents	\$ 27,636,182
Cash segregated under federal and other regulations	3,500,000
Due from broker	1,230,806
Due from customers	4,214,052
Accounts receivable	1,388,607
Due from employees	782,944
Securities owned, at fair value (\$99,418 escrow deposit)	99,418
Furniture, equipment, leasehold improvements and software, net	2,581,871
Intangible assets, net	1,221,112
Goodwill	5,896,809
Deferred tax asset, net	1,295,880
Other assets	654,071
<b>Total assets</b>	<b>\$ 50,501,752</b>

**Liabilities and Stockholder's Equity**

Accounts payable	\$ 5,504,860
Due to broker	4,483,653
Due to customers	1,034,376
Accrued expenses and other liabilities	12,170,836
Subordinated loans from related party	8,000,000
<b>Total liabilities</b>	<b>31,193,725</b>

**Stockholder's equity**

Common stock (\$.01 par value, 1,000 shares authorized, issued and outstanding)	10
Additional paid-in capital	13,546,140
Retained earnings	5,761,877
<b>Total stockholder's equity</b>	<b>19,308,027</b>
<b>Total liabilities and stockholder's equity</b>	<b>\$ 50,501,752</b>

The accompanying notes are an integral part of this consolidated financial statement.

# **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## **Notes to the Consolidated Financial Statement**

**Year Ended December 31, 2017**

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### **1. Organization and Nature of Business**

EFG Capital International Corp. ("EFG" or the "Company") is a wholly-owned subsidiary of EFG Capital Holdings Corp. (the "Parent"), which is owned by EFG International AG ("EFG International"), which is headquartered in Switzerland and listed in the Swiss Stock Exchange. The Company's principal office is located in Miami, Florida.

The Company is a broker-dealer registered with the Securities and Exchange Commission ("SEC") and is a member of the Financial Industry Regulatory Authority ("FINRA").

The Company provides its customers with investment and brokerage related financial services. The Company buys and sells securities for customers, primarily from Latin America, acting in an agency capacity and charging a commission, or in a principal capacity earning mark ups and mark downs on a riskless principal trading basis. The Company also introduces its customers to affiliates, who provide customers with various financial services, and is compensated under fee sharing arrangements.

### **2. Summary of Significant Accounting Policies**

#### **Basis of Presentation**

The consolidated financial statements include the accounts of EFG and its wholly-owned subsidiary, EFG Asesores Financieros Peru SRL (a Peruvian limited liability partnership). All material intercompany balances and transactions have been eliminated in consolidation.

#### **Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America ("US GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

#### **Cash and Cash Equivalents**

The Company has defined cash and cash equivalents as highly liquid instruments with original maturities of less than three months. The Company's cash equivalents are mainly comprised of money market accounts.

#### **Cash Segregated Under Federal and Other Regulations**

The Company maintains cash segregated in a special reserve bank account for the exclusive benefit of its customers as well as in a special reserve bank account for the exclusive benefit of Brokers and Dealers; both pursuant to SEC Rule 15c3-3.

#### **Fails to Receive/Deliver**

Pursuant to SEC Rule 15c3-3, the Company records fails to receive/deliver for transactions where clearance and settlement does not occur pursuant to the agreed upon date that are to be settled by EFG Bank AG ("EFG Bank") or EFG Bank & Trust (Bahamas) Ltd. The Company records the fails to deliver (included in due from customers at December 31, 2017) and fails to receive (included in due to brokers at December 31, 2017) on its financial statements until the time that the transactions settle. All open transactions as of December 31, 2017 settled shortly after year-end.

# **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## **Notes to the Consolidated Financial Statement**

**Year Ended December 31, 2017**

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### **Securities Owned, at Fair Value**

Proprietary securities transactions in regular-way trades are recorded on a trade date basis. In addition, profit and loss arising from all securities transactions entered into for the account and risk of the Company are recorded on a trade date basis. Securities are recorded at fair value as described in Note 3. As of December 31, 2017, the Company maintained a security escrow deposit in the amount of \$99,418.

### **Furniture, Equipment, Leasehold Improvements and Software, net**

Furniture, equipment and leasehold improvements are recorded at the cost of acquisition less accumulated depreciation. Leasehold improvements includes direct construction costs and other costs related to the development of the property that have been capitalized and have been placed in service as of December 31, 2017.

Routine maintenance and repairs are expensed when incurred. Depreciation is recorded on a straight-line basis using estimated useful lives of three to seven years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement and/or incentive, or the term of the lease.

Software is recorded at cost less accumulated amortization. Software licenses purchased are capitalized if the terms include the right to use in excess of twelve months. Amortization is recorded on a straight-line basis using estimated useful lives of three to five years.

Leasehold incentives received from lessors are recorded in Accrued expense and other liabilities on the consolidated statement of financial condition. Leasehold incentives are amortized over the term of the lease.

### **Goodwill and Intangible Assets**

Goodwill represents the excess of consideration transferred in business combinations over the fair value of net tangible and identifiable intangible assets acquired. Goodwill is not amortized but is reviewed for potential impairment on an annual basis, or when events or circumstances indicate a potential impairment. The annual impairment test is performed as of October 31<sup>st</sup>. A reporting unit, as defined under applicable accounting guidance, is a business segment or one level below a business segment. The reporting unit for purposes of evaluation of Goodwill is the net assets and reported operations derived from the client relationship officers and their book of business that has been retained since their acquisition in 2005.

The Company has the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, the Company determines it is not more likely than not that the fair value of a reporting unit is less than its carrying amount, then performing a two-step impairment test is unnecessary. However, if the Company concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the Company is required to perform the second step of the goodwill impairment test to measure the amount of the impairment loss, if any. The second step involves calculating an implied fair value of goodwill for each reporting unit for which the first step indicated possible impairment. The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination, which is the excess of the fair value of the reporting unit, as determined in the first step, over the aggregate fair values of the



## **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

### **Notes to the Consolidated Financial Statement**

**Year Ended December 31, 2017**

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assets, liabilities and identifiable intangibles as if the reporting unit was being acquired in a business combination. Measurement of the fair values of the assets and liabilities of a reporting unit is consistent with the requirements of the fair value measurements accounting guidance, which defines fair value as an exit price, meaning the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The adjustments to measure the assets, liabilities and intangibles at fair value are for the purpose of measuring the implied fair value of goodwill and such adjustments are not reflected in the balance sheet. If the implied fair value of goodwill exceeds the goodwill assigned to the reporting unit, there is no impairment. If the goodwill assigned to a reporting unit exceeds the implied fair value of goodwill, an impairment charge is recorded for the excess. An impairment loss recognized cannot exceed the amount of goodwill assigned to a reporting unit. An impairment loss establishes a new basis in the goodwill and subsequent reversals of goodwill impairment losses are not permitted under applicable accounting guidance.

The Company has the option to bypass the qualitative assessment for any reporting unit in any period and proceed directly to performing the first step of the two-step goodwill impairment test. The Company may resume performing the qualitative assessment in any subsequent period. For the annual impairment test, management performed a qualitative assessment which considered individual factors such as macroeconomic conditions, industry and market considerations, and overall financial performance. After performing the qualitative assessment, the Company concluded it is more likely than not that the fair value is greater than the carrying value.

Intangible assets consist of the customer relationships acquired in 2005. These intangible assets were initially recorded at fair value, and are amortized on a straight line basis over their estimated useful lives of 3 to 15 years. Intangible assets are reviewed for impairment if events or circumstances indicate that impairment may exist. No impairment losses have been recognized on goodwill and intangible assets through December 31, 2017.

#### **Impairment of Long-Lived Assets**

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the fair value of the asset.

Management's analysis for the year ended December 31, 2017, revealed no impairment.

#### **Stock-based Compensation**

The Company participates in the Parent's equity incentive plan that awards Restricted Stock Units of EFG International's common stock to certain employees. The Company accounts for the stock-based compensation under the US GAAP provisions, which establishes that compensation expense is recognized for awards granted at the awards' fair value as of grant date over the requisite service period of the award, which is generally the awards' vesting period.

# **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## **Notes to the Consolidated Financial Statement**

**Year Ended December 31, 2017**

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### **Translation of Foreign Currencies**

Assets and liabilities denominated in foreign currencies are translated at year-end rates of exchange, whereas the income statement accounts are translated at average rates of exchange for the year. Gains or losses resulting from foreign currency transactions are included in other income or expense in the consolidated statement of operations.

### **Income Taxes**

The Company is included in the consolidated federal income tax return filed by the Parent. Federal income taxes are calculated as if the Company filed on a separate return basis, and the amount of current tax or benefit calculated is either remitted to or received from the Parent. The amount of current and deferred taxes payable or refundable is recognized as of the date of the financial statements, utilizing currently enacted tax laws and rates. Deferred tax expenses or benefits are recognized in the financial statements for the changes in deferred tax liabilities or assets between years.

The Company follows guidance related to accounting for uncertain tax positions. Uncertain tax positions are recognized only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax expense or benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax expense or benefit is recorded. The Company did not have any uncertain tax positions, as defined above, as of December 31, 2017.

### **3. Fair Value Measurement**

Financial instruments are classified based on a three-level valuation hierarchy required by US GAAP. The valuation is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities the Company has the ability to access.

Level 2 inputs are quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 are unobservable inputs for the asset or liability and rely on management's own assumptions about the assumptions that market participants would use in pricing the asset or liability. The unobservable inputs should be developed based on the best information available in the circumstances and may include the Company's own data. Accordingly, the degree of judgment exercised in determining fair value is greater for instruments in this category.

The inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy within which the fair value measurement falls in its entirety is determined based on the lowest level input that is significant to the fair value measurement in its entirety.

As of December 31, 2017, the Company held a U.S. Treasury Bill with fair value measurements classification as a level 1 with a fair market value of \$99,418.

# EFG Capital International Corp. and Subsidiary

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## Notes to the Consolidated Financial Statement

Year Ended December 31, 2017

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### Level 1 Valuation Techniques

The fair value measurements of the U.S. Treasury security is classified as level 1 of the fair value hierarchy, as it is based on quoted market prices in active markets.

As of December 31, 2017, the Company did not have any financial instruments classified as either Level 2 or Level 3.

### 4. Cash Segregated Under Federal Regulations

As of December 31, 2017 \$3,000,000 of cash was segregated in a special reserve bank account for the exclusive benefit of customers as well as \$500,000 of cash segregated in a special reserve bank account for the exclusive benefit of Brokers and Dealers; both under SEC Rule 15c3-3.

### 5. Securities Owned, at Fair Value

At December 31, 2017 securities owned consists of the following:

U.S. Treasury Bills	\$	99,418
	\$	<u>99,418</u>

The Company's securities owned are deposited in escrow in connection with clearing and depository agreements with third-parties. See Note 9.

### 6. Furniture, Equipment, Leasehold Improvements and Software, net

Furniture, equipment, leasehold improvements and software net, consist of the following at December 31, 2017:

	Useful Lives (in years)	
Furniture	5	\$ 1,699,748
Equipment and Software	3 - 5	4,907,754
Leasehold improvements	3 - 7	3,860,638
Artwork	Indefinite	<u>89,445</u>
		10,557,584
Less: Accumulated depreciation and amortization		<u>(7,975,713)</u>
		<u>\$ 2,581,871</u>

## EFG Capital International Corp. and Subsidiary

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

### Notes to the Consolidated Financial Statement

Year Ended December 31, 2017

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#### 7. Intangible Assets, Net

Intangible assets consist of the following at December 31, 2017:

	Useful Lives (in years)	
Customer relationships	15	\$ 6,800,000
Broker-dealer license	-	50,000
		<u>6,850,000</u>
Less: Accumulated amortization		<u>(5,628,888)</u>
		<u>\$ 1,221,112</u>

#### 8. Related Party Transactions

The following table sets forth the Company's related party assets and liabilities as of December 31, 2017:

##### Assets

Cash and cash equivalents	\$ 744,052
Accounts receivable	533,717
Due from employees	<u>782,944</u>
Total assets	<u>2,060,713</u>

##### Liabilities

Accounts payable	3,607,810
Accrued expenses and other liabilities	107,788
Subordinated loans	<u>8,000,000</u>
Total liabilities	<u>11,715,598</u>

As of December 31, 2017, the Company held cash at EFG Bank and at EFG Bank & Trust (Bahamas) Ltd in the amounts of \$469,659 and \$274,393, respectively, as a result of revenue generating and intercompany transactions during the year then ended. These balances are included in cash and cash equivalents in the accompanying consolidated statement of financial condition.

As of December 31, 2017, the Company had various balances due from related party entities including EFG Bank & Trust (Bahamas) for \$336,026, EFG Bank AG for \$34,809, and various other entities for a combined total of \$162,882, as a result of various intercompany transactions, as of the year then ended. These balances are included in accounts receivable in the accompanying consolidated statement of financial condition.

The Company from time-to-time advances funds to its employees at stated maturity dates and interest rates as evidenced by executed promissory notes. At December 31, 2017, due from employees amounted to \$782,944.

As of December 31, 2017, the Company had various balances due to related party entities including EFG Capital Services LLC of \$142,294, EFG Capital Holdings of \$1,963,570, EFG Private Bank (UK) of \$37,597, and EFG Asset Management (Americas) of \$1,464,349 as a result

**EFG Capital International Corp. and Subsidiary**  
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**Notes to the Consolidated Financial Statement**  
**Year Ended December 31, 2017**

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of intercompany transactions occurring during the year then ended. This balance is included in accounts payable in the accompanying consolidated statement of financial condition.

The Company originally entered into a subordinated loan agreement ("SLA") with EFG International in September 2005. In September 2016, the SLA maturity was extended to September 30, 2018. The SLA has an outstanding balance of \$8,000,000 and carries an interest rate of 5.16% per annum, of which was previously an interest rate of 4.35% per annum through September 30, 2016. As of December 31, 2017, the Company has accrued interest related to the SLA for \$107,788. The SLA was made under agreements pursuant to rules and regulations of the SEC, approved by FINRA and is subordinated to claims of general creditors. Under the terms of the SLA any repayments prior to its due date are subject to written approval by FINRA. The amount of the subordinated liability is considered part of the Company's regulatory capital. It is the Company's intention to renew the SLA before it becomes due.

The Company entered into a second subordinated loan agreement ("RSLA") with EFG International in September 2011 which took the form of a revolving line of credit with a limit of \$5 million. On September 2016, the RSLA credit period was extended to expire on September 30, 2019. As of December 31, 2017, the RSLA has no outstanding balance.

**9. Clearing Agreements**

Clearing and depository operations for the Company's securities transactions are provided by Pershing, a third party clearing organization, and EFG Bank, an affiliate. Pursuant to the Company's agreement with Pershing, the Company is required to maintain \$100,000 in security escrow deposit. The deposits consist of U.S. Treasury Bills included within securities owned in the consolidated statement of financial condition.

**Sub-Clearing Agreements**

The Company has entered into sub-clearing agreements with foreign financial institutions. The Company executes transactions for customers of the broker-dealers in exchange for a percentage commission or mark-up and in some cases, a minimum monthly fee.

**Guarantees**

The Company applies the provisions of the Financial Accounting Standards Board's guidance, which provides accounting and disclosure requirements for certain guarantees. The Company has agreed to indemnify the clearing organization for losses that it may sustain from the customer accounts introduced by the Company. At December 31, 2017, there were no customer balances maintained at its clearing organizations and subject to such indemnification. The Company has experienced no losses or claims historically under the terms of this indemnification and, accordingly, has recorded no liability at December 31, 2017. In accordance with the margin agreement between the clearing organizations and customers, customer balances are collateralized by customer securities and supported by other types of recourse provisions including the right to request customers to deposit additional collateral or reduce securities positions without the consent of the customer.

# **EFG Capital International Corp. and Subsidiary**

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## **Notes to the Consolidated Financial Statement**

**Year Ended December 31, 2017**

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### **10. Commitments and Contingencies**

#### **Leases**

The Company rents office premises and telecommunications equipment under non-cancelable operating lease agreements. The Company currently has offices in Miami and Peru.

Lease obligations under the above-mentioned agreements as of December 31, 2017 are as follows:

<b>Year</b>	
2018	2,160,064
2019	2,224,705
2020	2,291,483
2021	2,347,589
2022	2,378,937
2023 and thereafter	2,242,273
	<u>\$ 13,645,051</u>

#### **Concentration of Credit Risk**

The Company and its subsidiary are engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

#### **Legal Matters**

As part of an ongoing review by FINRA regarding certain regulatory compliance matters, EFG has come to a settlement agreement that calls for a policy and procedure remediation and a monetary fine which has been accrued in the amount of \$800,000. The legal provision is reflected in the accompanying consolidated statement of financial condition. Other than the legal matters disclosed herein, the Company was not involved in any legal proceedings, claims, or litigation that in the opinion of management, will result in a material adverse effect on its financial position for the year ended December 31, 2017 and through the date these consolidated financial statements were available for issuance.

### **11. Net Capital Requirements**

The Company is subject to the SEC Uniform Net Capital Rule 15c3-1 that requires the maintenance of minimum net capital equal to the greater of \$250,000 or 6 2/3% of "Aggregate Indebtedness", and requires that the ratio of aggregate indebtedness to net capital, both as defined, will not exceed 15 to 1. At December 31, 2017, the Company had net capital (as defined) of \$12,498,407, which was \$10,961,743 in excess of that required. The Company's net capital ratio was 1.84 to 1.

The accounts of the Company's subsidiary, EFG Asesores Financieros S.R.L., are not included as capital in the computation of the Company's net capital, because the assets of the subsidiary may not be readily available for the protection of the Company's customers, broker-dealers, and other creditors, as permitted by Rule 15c3-1.

**EFG Capital International Corp. and Subsidiary**  
(a wholly-owned subsidiary of EFG Capital Holdings Corp.)  
**Notes to the Consolidated Financial Statement**  
**Year Ended December 31, 2017**

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**12. Savings Investment Plan**

The Company maintains a 401(k) Savings Investment Plan (the "Plan") to provide retirement benefits for eligible employees. After thirty days of employment, all employees are eligible to participate in the Plan and are automatically enrolled on the first of the following month. Employees may elect to make salary deferral contributions, as defined, up to \$18,000 each year, adjusted annually in accordance with regulations. The Company may make discretionary annual contributions in accordance with the provisions of the Plan.

**13. Stock Based Plans**

The Company participates in Parent's own equity incentive plan that mirrors the EFG International plan and is paid to the employees with EFG International shares. EFG International has committed to provide the Parent on an ongoing basis the shares required to settle the Restricted Stock Unit ("RSU") awards with the Company's employees at the end of each vesting period in exchange nominal cash and equity consideration from the Parent for shares granted in subsequent years.

The value of the awards are based on the Stock Price of EFGI at the time of the grant. The compensation costs associated with the RSUs are amortized over a 3 year vesting period. There were 1,047,713 RSUs granted for the year ended December 31, 2017 and there were 2,116,682 unvested RSUs as of December 31, 2017.

The RSU incentive awards under the above-mentioned plan as of December 31, 2017 are as follows:

<b>Year granted</b>	<b>Fair Value at grant date</b>	<b>Dec. 31, 2016 unamortized</b>	<b>Current year grants</b>	<b>Current year forfeitures</b>	<b>Current year amortization</b>	<b>Dec. 31, 2017 unamortized</b>
2014	1,344,073	107,100	-	-	(107,100)	-
2015	4,683,552	1,610,942	-	-	(1,290,488)	320,454
2016	5,003,767	3,408,931	-	-	(1,610,571)	1,798,360
2017	5,522,270	-	5,522,270	-	(1,693,071)	3,829,199
		\$ 5,126,973	\$5,522,270	\$ -	\$ (4,701,231)	\$ 5,948,012

**14. Financial Instruments with Off-Balance Sheet and Credit Risk**

In the normal course of business, the Company enters into transactions to buy and sell securities with other broker-dealers in order to fill its customers' orders. The Company may be required, in the unlikely event of non-delivery of securities owned by other broker-dealers, to purchase or sell the securities in the open market to correct a failed settlement. These corrective transactions to buy and sell may result in losses that are not reflected in the financial statements.

Securities transactions with other brokers and customers can result in concentrations of credit risk. Credit risk is the amount of accounting loss the Company would incur if other broker-dealers or the customer failed to perform their obligations under contractual terms. To mitigate this risk, EFG, together with its affiliates, reviews and monitors the financial condition of the broker-dealers with whom it deals, as well as the size of the transactions it performs with such broker-dealers. As further mitigation of settlement risk, EFG mostly buys or sells securities for its customers when it is certain that either the cash or the securities to settle are available in the customer's custody account.

# EFG Capital International Corp. and Subsidiary

(a wholly-owned subsidiary of EFG Capital Holdings Corp.)

## Notes to the Consolidated Financial Statement

Year Ended December 31, 2017

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### 15. Income Taxes

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. On December 22, 2017, President Donald Trump signed into law "H.R.1", formerly known as the "Tax Cuts and Jobs Act", which among other items reduces the federal corporate tax rate to 21% effective January 1, 2018. As a result, the Company's net deferred tax asset has been revalued at the 21% rate.

At December 31, 2017, the tax effect of temporary differences that give rise to significant portions of the deferred tax asset and tax liabilities were:

<b>Deferred tax assets</b>	
Accrued bonus and compensation	\$ 1,690,019
Net Operating Losses	58,045
Accrued interest to Parent	26,737
Intangible Assets	14,754
Other	8,547
	<u>1,798,102</u>
<b>Deferred tax liabilities</b>	
Goodwill	(166,230)
Fixed assets	(332,237)
	<u>(498,467)</u>
Valuation allowance	(3,755)
	<u></u>
Net deferred tax asset	<u>\$ 1,295,880</u>

In order to determine the realizability of deferred tax assets, the Company considers all available positive and negative evidence, including future reversals or existing temporary differences and projected future taxable income. The Company believes that it is more likely than not that the tax benefit will be realized.

Temporary difference of \$346,374 relates primarily to a 2005 acquisition and will reverse upon sale, amortization, or other liquidation.

### 16. Subsequent Events

The Company considered subsequent events through March 1, 2018, the date the financial statements were available to be issued, noting no events warranting disclosure or adjustments to the financial statements.

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